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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75289; File No. SR-NYSEArca-2015-54)

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 1.1 Governing Definitions and Various Equity Trading Rules in Order to Eliminate Obsolete References

June 24, 2015

Pursuant to section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on June 22, 2015, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 1.1 governing Definitions and various equity trading rules in order to eliminate obsolete references. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 1.1 governing Definitions and various equity trading rules in order to eliminate obsolete references. These proposed rule changes represent current functionality and would not propose any substantive changes to functionality. The Exchange has separately filed proposed rule changes to support the implementation of Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by NYSE Arca and its affiliates, New York Stock Exchange LLC ("NYSE") and NYSE MKT LLC ("NYSE MKT").<sup>4</sup> The Pillar I Filing proposed to adopt new rules relating to Trading Sessions, Order Ranking and Display, and Order Execution.

In anticipation of the implementation of Pillar, the Exchange has reviewed its rules governing equity trading and has identified a number of rules that could be streamlined both for the current trading platform and for Pillar.<sup>5</sup> Specifically, the Exchange proposes to amend NYSE

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<sup>4</sup> See Securities Exchange Act Release No. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (SR-NYSEArca-2015-38) (Notice) ("Pillar I Filing"). In the Pillar I Filing, the Exchange described its proposed implementation of Pillar, including that it would be submitting more than one rule filing to correspond to the anticipated phased migration to Pillar.

<sup>5</sup> The Exchange has filed several rule filings to streamline its rules, but these filings generally addressed rules that describe the functionality associated with the Exchange's order types, and more specifically, how different order types may interact. See Securities Exchange Act Release Nos. 71331 (Jan. 16, 2014), 79 FR 3907 (Jan. 23, 2014) (SR-NYSEArca-2013-92) (Approval order for filing that updated rules relating to order types

Arca Equities Rules 1.1 (Definitions) (“Rule 1.1”), 7.5 (Trading Units) (“Rule 7.5”), 7.6 (Trading Differentials) (“Rule 7.6”), 7.8 (Bid or Offer Deemed Regular Way) (“Rule 7.8”), 7.12 (Trading Halts Due to Extraordinary Market Volatility) (“Rule 7.12”), and 7.32 (Order Entry) (“Rule 7.32”). The proposed changes to these rules are non-substantive and would streamline the existing rule text and eliminate obsolete terms.

Because these proposed changes are applicable to the current trading platform, the Exchange would implement these changes as soon as this rule filing is effective.

#### Proposed Amendments to Rule 1.1

Rule 1.1 sets forth definitions in Exchange rules. The Exchange proposes to amend Rule 1.1 to revise definitions to eliminate obsolete references, make clarifying changes to existing definitions, add new short-hand terms for existing definitions, and propose non-substantive changes to replace the terms “shall refer to” or “shall mean” with the term “means.” The Exchange is not proposing any substantive changes to these rules.

The proposed amendments to Rule 1.1 would be:

- Amend the definition of “BBO” set forth in Rule 1.1(h) to add that the term “BB” would mean the best bid on the NYSE Arca Marketplace and the term “BO” would mean the best offer on the NYSE Arca Marketplace. The Exchange proposes to add these short-hand terms to the definition of BBO because the

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and modifiers); 72942 (Aug. 28, 2014), 79 FR 52784 (Sept. 4, 2014) (SR-NYSEArca-2014-75) (Approval order for filing that eliminated specified order types, modifiers, and related references); and 74796 (April 23, 2015), 80 FR 12537 (March 9, 2015) (SR-NYSEArca-2015-08) (Approval order for filing to clarify Exchange rules governing order types) (“2015 Order Type Filing”). The Exchange filed the 2015 Order Type Filing in part to respond to a request by the SEC’s Division of Trading and Markets that equity exchanges conduct a comprehensive review of their order types and how they operate in practice, and as part of that review, consider appropriate rule changes. This rule filing addresses equity rules other than those addressing orders and modifiers.

Exchange would be using these terms in its proposed Pillar rules. These are not novel terms and therefore the Exchange proposes to adopt these terms before the implementation of Pillar.

- Delete the definition of “Limited Price Order” in Rule 1.1(t) as obsolete and replace it with “reserved.” In the 2015 Order Type Filing, the Exchange eliminated use of the term “Limited Price Order” in Rules 7.36 and 7.37.<sup>6</sup> Because the term is not used in any other rules and the Exchange would not be proposing to use this term in rules governing trading in Pillar, the Exchange proposes to delete the definition.
- Amend the definition of “Marketable” in Rule 1.1(u) to mean for a Limit Order, an order that can be immediately executed or routed. The Exchange believes that this proposed definition better describes the term “marketable,” which is currently defined for Limited Price Orders as when the price matches or crosses the NBBO on the other side of the market. The proposed definition reflects more accurately circumstances of when an order would be marketable, which for a Limit Order, includes if the limit price is equal to or better than the contra-side PBBO or for Inside Limit Orders, includes if the limit price is equal to or better than the contra-side NBBO. The proposed new definition would also include in the definition of marketable if an order would be required to route, because it is priced through the PBBO or NBBO, or if it would be eligible to trade with non-displayed interest that is priced better than the PBBO or NBBO that may be on the NYSE Arca Book. The Exchange also proposes a non-substantive difference

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<sup>6</sup> See 2015 Order Type Filing, infra, note 5.

to capitalize the term “Market Order.”

- Delete the definition of “NASD” in Rule 1.1(y) as obsolete and replace it with “reserved.”
- Amend the definition of “Nasdaq” in Rule 1.1(z) to update the name of Nasdaq to its current official name, which is “The Nasdaq Stock Market LLC,” instead of “The Nasdaq Stock Market, Inc.”
- Delete the definitions of “Nasdaq Security,” “Nasdaq System,” and “Nasdaq System BBO” in Rules 1.1(aa), 1.1(bb) and 1.1(cc) and replace them with “reserved.” The Exchange no longer uses these terms in its rules and therefore proposes to delete the definitions as obsolete for purposes of Exchange rules.
- Amend the definition of “NBBO, Best Protected Bid, Best Protected Offer, Protected Best Bid and Offer (PBBO)” in Rule 1.1(dd) to add new short-hand defined terms. As proposed, the term “NBB” would mean the national best bid and the term “NBO” would mean the national best offer. The Exchange also proposes to add the short-hand terms of “PBB” to correlate to “Best Protected Bid” and “PBO” to correlate to “Best Protected Offer.” The Exchange proposes to add these terms, which are not novel, because the Exchange would be proposing to use them in its proposed Pillar rules.

#### Proposed Amendments to Equity Trading Rules

The Exchange proposes to amend Rules 7.5 (Trading Units), 7.6 (Trading Differentials), 7.8 (Bid or Offered Deemed Regular Way), 7.12 (Trading Halts due to Extraordinary Market Volatility), and 7.32 (Order Entry) to eliminate obsolete references and streamline the rule text. The Exchange is not proposing any substantive changes to these rules.

Rule 7.5: Rule 7.5 sets forth Trading Units and currently provides:

The unit of trading in stocks shall be 1 share and the unit of trading in bonds shall be \$1,000 in par value thereof unless otherwise designated by the Corporation. For stocks, 100 shares shall constitute a "round lot," any amount less than 100 shares shall constitute an "odd lot," and any amount greater than 100 shares that is not a multiple of a round lot shall constitute a "mixed lot." For bonds, a designated unit of trading shall constitute a "round lot" and any lesser amount shall constitute an "odd lot."

The Exchange proposes non-substantive amendments to Rule 7.5 to streamline the rule text and eliminate obsolete references to bonds, which do not trade on the Exchange. As proposed, the amended rule would provide:

The unit of trading in stocks is 1 share. A "round lot" is 100 shares, unless specified by the primary listing market to be fewer than 100 shares. Any amount less than a round lot will constitute an "odd lot," and any amount greater than a round lot that is not a multiple of a round lot will constitute a "mixed lot."

The Exchange believes that the proposed rule text streamlines the rule and provides greater transparency of what is considered a round lot or an odd lot. In addition, to reflect that a primary listing market may have securities with a trading unit fewer than 100 shares,<sup>7</sup> the Exchange proposes to amend the rule to provide that a "round lot" would be 100 shares, unless specified by the primary listing market to be fewer than 100 shares. Because a round lot would no longer be set at 100 shares, and instead would reflect the unit of trading designated by the primary listing Exchange, the Exchange proposes to delete the additional references to "100 shares" and instead provide that any amount less than a round lot would constitute an "odd lot,"

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<sup>7</sup> For example, Biglari Holdings Inc. (symbol: BH), an NYSE-listed security, has a 10-share round lot parameter.

and any amount greater than a round lot that is not a multiple of a round lot would constitute a mixed lot. The Exchange also proposes non-substantive amendments to change the term “shall” to “will.”

The Exchange believes the proposed changes would provide transparency regarding trading units on the Exchange and reduce confusion regarding the types of securities available to trade on the Exchange. Specifically, because the Exchange does not trade bonds, the proposed amendment to delete the reference to bonds represents current functionality.

Rule 7.6: Rule 7.6 sets forth the Exchange’s Trading Differentials, also referred to as the minimum price variation (“MPV”) for quoting and entry of orders, and currently provides:

- (a) The Corporation shall determine the trading differentials for equity securities traded on the Corporation.

Commentary:

**.01** The Corporation may only change the trading differentials for equity securities traded on the Corporation by filing a rule change proposal with the SEC, pursuant to section 19(b)(3)(A) of the Securities Exchange Act of 1934 (effective upon filing); provided that no change in the trading differentials may be made while the industry wide Decimalization Implementation Plan is in effect.

**.02** Notwithstanding Commentary .01, the Corporation may allow trading at smaller increments in order to match bids and offers displayed by other markets for the purpose of preventing Intermarket Trading System trade-throughs.

**.03** The minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001, provided, however, that the Corporation shall round the bid down to the next whole penny or the offer up to the next whole penny and display the rounded bid or offer in the consolidated quotation system.

(b) Bonds. Bids or offers in bonds shall not be made at a lesser variation than 1/8 of 1% of the principal amount, except that the Corporation may fix a lesser variation in specific issues.

The Exchange proposes non-substantive amendments to Rule 7.6 to eliminate obsolete references to the Decimalization Implementation Plan, Intermarket Trading System ("ITS"), and bonds, and instead have the rule simply provide what are the Exchange's trading differentials for equity securities.

Because Commentaries .01 and .02 refer to how trading differentials could be set before the industry-wide Decimalization Implementation Plan was in effect and to comply with the now-obsolete ITS requirements, respectively, the Exchange proposes to delete those two commentaries as obsolete text. The Exchange also proposes to delete the text that currently follows paragraph (a) of the Rule because the Exchange does not determine the trading differentials; these are now industry-wide standards. The Exchange also proposes to delete paragraph (b) of the rule, which relates to the MPV for bonds, because the Exchange does not trade bonds.



The Exchange proposes that current Commentary .03 would become the sole rule text, without any subparagraph number. The Exchange would amend the text currently set forth in Commentary .03 to delete the term “equity” as unnecessary, conform the rule text to use the clause “quoting and entry of orders” for securities priced less than \$1.00, and delete the last clause in the commentary regarding rounding as an obsolete requirement.<sup>8</sup>

Accordingly, as proposed, amended Rule 7.6 would provide that the MPV for quoting and entry of orders in securities traded on the NYSE Arca Marketplace would be \$0.01, with the exception of securities that are priced less than \$1.00, for which the MPV for quoting and entry of orders would be \$0.0001. The Exchange believes that the proposed streamlined rule would promote transparency in Exchange rules to identify the MPVs applicable to securities trading on the Exchange.

Rule 7.8: Rule 7.8 sets forth how bids or offers are deemed regular way, which relates to the settlement instructions for an order, and provides that “[b]ids and offers made without stated conditions shall be considered to be ‘regular way.’ ‘Regular way’ bids or offers have priority over conditional bids or offers.”

The Exchange proposes non-substantive amendments to Rule 7.8 to eliminate obsolete rule text. Because the Exchange currently only accepts bids and offers made regular way, and does not accept any bids or offers with stated conditions, the Exchange proposes non-substantive amendments to delete text relating to stated conditions or that “regular way” bids or offers have priority over conditional bids or offers. Accordingly, as proposed, amended Rule 7.8 would provide that Bids and offers would be considered “regular way.” The Exchange believes the

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<sup>8</sup> The Exchange publishes bids and offers priced under \$1.00 in sub-penny increments to the public data feeds and no longer rounds such quotes to the whole penny.

proposed rule change would reduce confusion by eliminating references to functionality that is not available on the Exchange.

Rule 7.12: Rule 7.12 sets forth the market-wide rule relating to trading halts due to extraordinary market volatility.<sup>9</sup> In the Pillar I Filing, the Exchange has proposed to replace references from Pacific Time to Eastern Time, and the Exchange believes that this proposed change should be made to rules that would not otherwise be amended for Pillar. Accordingly, the Exchange proposes non-substantive amendments to Rule 7.12 to replace Pacific Time references with Eastern Time references. The Exchange believes that references to Eastern Time rather than Pacific Time would reduce confusion because all other equity exchanges that have a rule similar to Rule 7.12, which was adopted on a market-wide basis, use Eastern Time references.

Rule 7.32: Rule 7.32 sets forth the Exchange's rules relating to order entry and currently provides:

Users may enter into the NYSE Arca Marketplace the types of orders listed in Rule 7.31; provided, however, no User may enter an order other than a PNP Order unless the User or the User's Sponsoring ETP Holder has entered into a Routing Agreement. Orders entered that are greater than five million shares in size shall be rejected. Upon at least 24 hours advance notice to market participants, the Exchange may decrease the maximum order size on a security-by-security basis.

The Exchange proposes to delete the first sentence of the current rule because in order to enter orders at the Exchange, an ETP Holder must have entered into a routing agreement, which

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<sup>9</sup> See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (Approval order of amendments to all equity exchange rules relating to trading halts due to extraordinary market volatility, including Rule 7.12).

is part of the ETP Holder's agreement to become a member of the Exchange. Because there is no possibility of being able to enter any orders at the Exchange without being approved as an ETP Holder and once approved as an ETP Holder, there is no limitation on the types of orders or modifiers that may be entered by that ETP Holder, the Exchange believes that the first sentence of the current rule text is no longer necessary and represents obsolete requirements. The Exchange also believes the proposed rule change would reduce confusion because it would streamline the rule to focus on the size of orders that may be entered at the Exchange.

With respect to the second sentence of the current rule, the Exchange proposes a non-substantive amendment to change the term "shall" to "will." As amended, Rule 7.32 would therefore provide that Orders entered that are greater than five million shares in size would be rejected and upon at least 24 hours advance notice to market participants, the Exchange may decrease the maximum order size on a security-by-security basis.

## 2. Statutory Basis

The proposed rule change is consistent with section 6(b) of the Securities Exchange Act of 1934 (the "Act"),<sup>10</sup> in general, and furthers the objectives of section 6(b)(5),<sup>11</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule changes would remove impediments to and perfect the mechanism of a free and open market because they would not make any substantive

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

changes to Exchange rules, but rather are designed to reduce confusion by eliminating obsolete references and terms and therefore streamline the Exchange's rules. The Exchange further believes that the proposed changes would remove impediments to and perfect a free and open market because the proposed changes would simplify the structure of the Exchange's rules and permit the use of consistent terminology throughout numerous rules, without changing the underlying functionality. The Exchange therefore believes that the proposed rule amendments would promote transparency in Exchange rules by using consistent terminology governing equities trading, thereby ensuring that members, regulators, and the public can more easily navigate the Exchange's rulebook and better understand how equity trading is conducted on the Exchange.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but rather to make non-substantive changes to streamline the Exchange's rules in order to promote transparency and reduce potential confusion, thereby making the Exchange's rules easier to navigate.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public

interest, the proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>13</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. . If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2015-54 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

All submissions should refer to File Number SR-NYSEArca-2015-54. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange and on its Internet website at [www.nyse.com](http://www.nyse.com). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2015-54 and should be submitted on or before **[INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Robert W. Errett,  
Deputy Secretary.

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

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